





Cover

The Triskelion emblem has been in use since the early days of Stone & Webster. It was designed by the original partners of Stone & Webster to symbolize the organization and appears on all of our advertising and letterheads.



The Triangle

No delineation conceived by man is so suggestive of stability as the triangle. It is severe and simple, and in being so has had a world-wide and timeless acceptance. The triangle suggests stability, strength, firm foundation and upward constructive endeavor.



The Triskelion

The Triskelion, with its suggestion of motion about a center, has had a particular charm as a symbol for man, and has been used through the ages to express one of the fundamental qualities of the universe. It is a symbol of the movement of the universe, of the sun, a source of energy, of speed and of victory.



The Triskelion Within The Triangle

The combination of these two ancient symbols has a distinct meaning of progress and stability, two objective purposes toward which the activities of Stone & Webster are devoted. In addition, it represents our important endeavors in Engineering, Financial and Management Services.

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The annual meeting of Stockholders is scheduled to be held on May 14, 1970, at 100 West Tenth Street, Wilmington, Delaware. Stockholders of record at the close of business on March 26, 1970, will be entitled to vote at this meeting. Proxies will be requested by the management, and it is expected that notice of such annual meeting, together with Proxy Statement and form of Proxy, will be mailed to Stockholders on or about April 2, 1970.

Office: 90 Broad Street, New York, N. Y. 10004

Management's Message

To our Stockholders and Employees:

The Stone & Webster organization had a good year in 1969 although consolidated net income at \$10,132,000, was slightly lower than the previous year. Earnings per share were \$2.55 based on the average number of shares of common stock outstanding during the year, as compared with the prior year's earnings of \$2.63. Dividends paid in 1969 were \$1.90, an increase of 5.5% over dividends paid in 1968.

Gross earnings were \$59,420,000 in 1969, \$7,695,000 over the previous year. Expenses and other charges, exclusive of Federal income taxes, also increased, being \$43,738,000 in 1969. Federal income taxes of \$5,550,000 were provided out of earnings in 1969 as compared with \$4,884,000 in 1968.

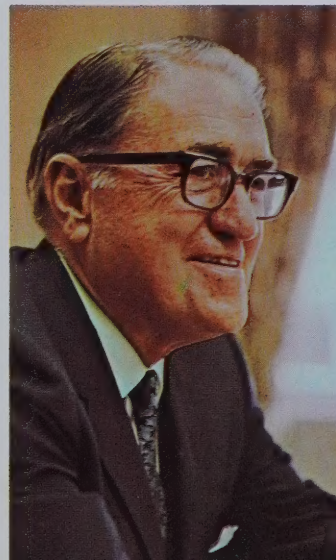
Engineering design and construction remained at a high level with much engineering work devoted to nuclear projects for electric utilities. The Securities Corporation's earnings were lower because of a difficult year in the financial markets. Gross earnings from our oil, gas and cold storage investments increased over the previous year while gross earnings from management consulting and dividends and interest from our security holdings remained substantially unchanged. Gross earnings from sales of investment securities were \$218,000 in 1969, down from \$660,000 in 1968.

Developments in reducing air and water pollution and in the desalinization of water hold promise for the organization. Expansion of our retail securities sales force is broadening our investment banking activities. Our first industrial park land acquisition was made in the southeast, and we look forward to other enterprises which relate to our activities in engineering, finance, consulting, oil, gas, cold storage and land.



Whitney Stone
Chairman of the Board

Richard N. Benjamin
President



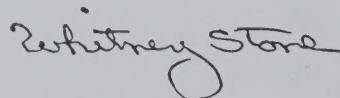
Management's Message

The Employee Retirement Plan was amended in 1969, effective in 1970, so as to improve generally the relationship between retirement benefits and salary. Increases in retirement payments were also made effective in January 1970 with respect to members who retired prior to January 1, 1966.

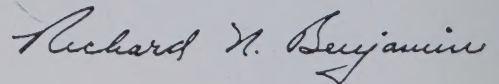
Early in 1970 clearance was received from the Internal Revenue Service on an Employee Savings Plan for employees of participating Stone & Webster companies. The Plan permits employees to contribute up to 5% of compensation with the participating companies contributing not less than 25% of the employees' contributions. The Company's portion will be applied to the purchase of Stone & Webster Common Stock. Employees may elect to have their contributions invested in one or more of, Stone & Webster Common Stock, a generalized Equity Fund, or a Fixed Income Fund. It is interesting to note that of the 1,800 employees who enrolled in the Savings Plan, 76% have chosen to have all or part of their contributions invested in Stone & Webster Common Stock.

We are pleased to welcome to our Board of Directors Mr. Robert K. Schell, Executive Vice President of The Chase Manhattan Bank, N.A., who was elected a Director in February 1969, replacing Mr. Edward L. Love, who had distinguished himself as a Director of the Company from 1956 until his retirement from the Board in 1969.

The original Stone & Webster partnership has grown to over 4,000 capable and highly skilled employees working in offices throughout the United States and abroad. Over the years there has developed a deep determination to achieve high quality performance through the hard work, loyalty and cooperation of our people. On this, the completion of our 80th year of business, we salute our employees who participate so enthusiastically in the activities of the Company. We look forward to the opportunities of the coming year.



Chairman of the Board



President

February 18, 1970

Stone & Webster, Incorporated

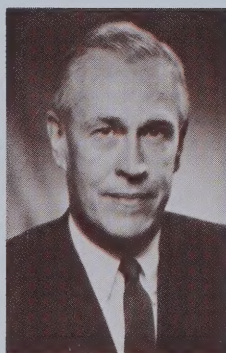
Directors



WHITNEY STONE
Chairman of the Board



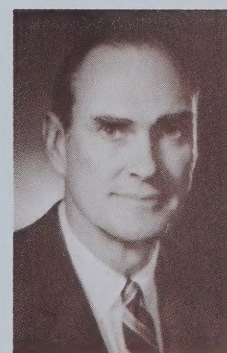
RICHARD N. BENJAMIN
President



JOHN H. ALEXANDER
Partner
Mudge Rose Guthrie
& Alexander



LLOYD D. BRACE
Former Chairman of the Board
The First National Bank
of Boston



EDWARD C. BREWSTER
Trustee



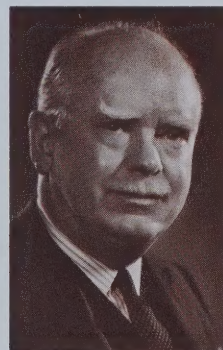
HOWARD L. CLARK
Chairman of the Board
American Express
Company



J. PETER GRACE
President
W. R. Grace & Co.



HENRY U. HARRIS
Chairman of the Board
Harris, Upham & Co.,
Incorporated



JOHN W. McKEE
Chairman of the Board
Stone & Webster Canada
Limited



ROBERT K. SCHELL
Executive Vice President
The Chase Manhattan
Bank, N.A.

Officers

Chairman of the Board
WHITNEY STONE

President
RICHARD N. BENJAMIN

Vice President
ASHTON G. ELDREDGE

Secretary
FRANKLIN E. CONGER

Treasurer
WILLIAM M. EGAN

Transfer Agent

THE CHASE MANHATTAN BANK, N.A.
NEW YORK

Registrar

MANUFACTURERS HANOVER TRUST COMPANY
NEW YORK

Stone & Webster Engineering Corporation

Stone & Webster Engineering Corporation provided design, engineering and construction services for 75 major projects in the power, process and industrial fields during 1969. The construction requirements of the electric utility industry continue to be a major source of activity for the Corporation. Power projects included nuclear and fossil-fueled generating stations, pumped storage and hydroelectric facilities, transmission lines and substations. Consulting activities and appraisal work were also performed.

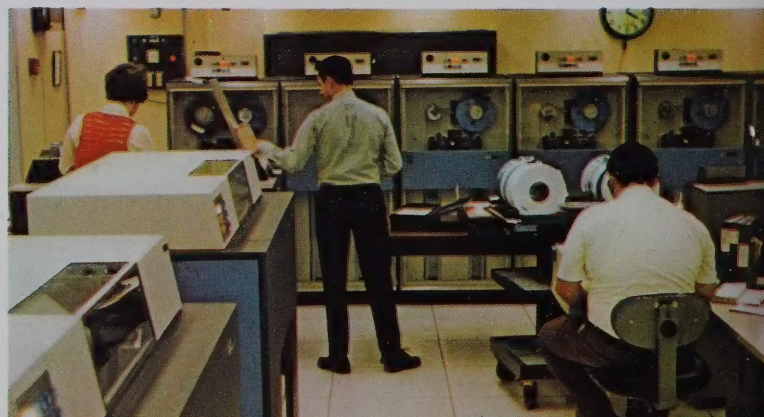
Nuclear-powered electrical generating projects represented a large portion of the Engineering Corporation's activities. Approximately 45% of the total electrical generating capacity now being undertaken by the Corporation represents nuclear facilities. The Nine Mile Point Nuclear Power Station of Niagara Mohawk Power Corporation, with a generating capability of 590,000 kilowatts, commenced operation in December 1969. Work continues on seven nuclear units, each of which will have a generating capability in excess of 800,000 kilowatts. At year-end, over one-third of all electrical energy produced from nuclear fuel in the United States had been generated in plants with which Stone & Webster has been associated.

Virginia Electric and Power Company awarded the Engineering Corporation the design and construction of Unit No. 3 to the Mt. Storm Generating Station. This will be a 520,000 kilowatt extension to the mine mouth plant the Engineering Corporation designed and constructed and which fed the first commercial 500,000 volt transmission line in the United States. Work continues on other projects including coal, gas and oil-fired generating stations for Gulf States Utilities Company, Duquesne Light Company, Tampa Electric Company, Savannah Electric & Power Company, El Paso Electric Company, Indianapolis Power & Light Company and Sierra Pacific Power Company. The Corporation is also doing significant work on pumped storage facilities for Northeast Utilities and Virginia Electric and Power Company and hydroelectric generating units for Public Utility District No. 1 of Chelan County, Washington.

In 1969, two large plants employing Stone & Webster's new USC (Ultra Selective Conversion) cracking process for ethylene production from petroleum feed stocks were commissioned. This process has already been patented in many countries. One of the plants, located on Kyushu Island in Japan, is jointly owned by several Japanese companies together with Phillips Petroleum. The other, near Montreal, is owned by Gulf Oil Canada Limited, Shawinigan Chemicals Division. Engineering work for Shawinigan was done by Stone & Webster Canada Limited in Toronto with assistance from the Engineering Corporation. Completion is scheduled early in 1970 for ethylene units under construction near Tokyo for Sumitomo Chemical Company Limited and for Ukishima Petrochemicals Company Limited.

Design work is proceeding on a phenol plant in Louisiana for Georgia-Pacific Corporation, on a petrochemical complex in Spain for an affiliate of Occidental Petroleum Corporation and on a

Drafting and computer operations in the Boston offices of Stone & Webster Engineering Corporation.





The Nine Mile Point Nuclear Station of Niagara Mohawk Power Corporation, for which Stone & Webster Engineering Corporation provided management of construction services, is located on Lake Ontario near Oswego, New York. The nuclear reactor is housed in the square area at left and in the foreground is the popular information center designed for the visiting public.



synthetic ethyl alcohol facility in Illinois for U. S. Industrial Chemicals Company. Engineering and consulting services are being provided in connection with the design and construction of a lubricating oil refinery in the Philippines.

The Engineering Corporation continued in 1969 to provide to affiliated Stone & Webster companies process engineering and design data for petroleum, petrochemical and industrial installations. Based on these designs, new installations are being built for clients of Stone & Webster Canada Limited and Stone & Webster Engineering Limited in Canada, Europe and the Middle East.

Over the years our engineers have attained a high level of skill in the development and use of computer programs for both technical computations and control of project schedules and cost. Over 500 of our own programs are now available for routine daily use. During 1969, our effective use of this capability was greatly enhanced by the installation of a large third generation computer with peripheral equipment which makes possible computer directed production of graphs, drawings and diagrams of many kinds.

During 1969, the Corporation participated in the preparation of many reports and appraisals for clients. It continued its activities in the fields of desalinization of water, radioactive waste disposal and water re-use techniques.

Increasing emphasis has been placed on environment-related aspects of plant design and construction. Some new and unique engineering concepts have been successfully applied to such problems as the thermal effects of generating plant water discharges on the ecology of natural water sources and to the atmospheric fogging effects of cooling towers and cooling ponds. Site aesthetics were an important factor in the design for Baltimore Gas and Electric Company of a large, low profile substation to be located in a residential area.

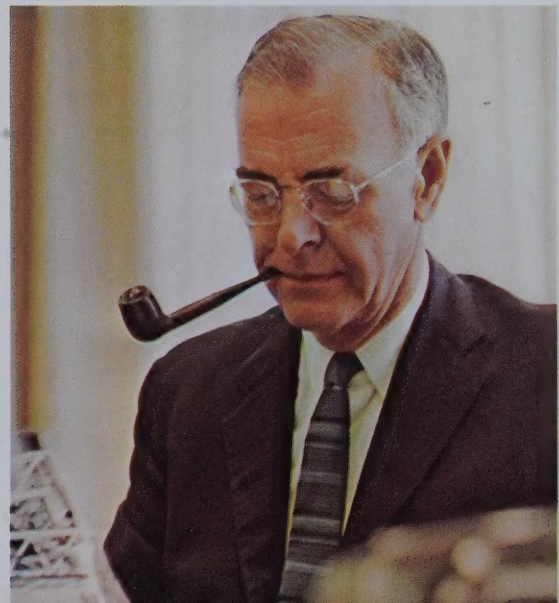
Air quality was the focal point of a report for a large eastern utility. Data were collected from a number of monitoring stations and correlated with meteorological information to evaluate the effect of the company's generating stations on the air quality of the city. A similar problem was

Featured on this and the following pages are pictures of the senior officers of our major subsidiaries.



Raymond C. Foster
Chairman of the Board
Stone & Webster Engineering Corporation

Charles G. Davis
President
Stone & Webster Engineering Corporation



Stone & Webster Engineering Corporation designed and constructed Unit No. 6 of the Chesterfield Power Station for Virginia Electric and Power Company. This 655,000 kilowatt unit nearly equals the total combined capacity of Units 1 through 5, which were also designed and constructed by the Engineering Corporation.



Stone & Webster Engineering Corporation completed the 625,000 kilowatt third unit at the Brayton Point Power Station of New England Electric System. This station, located at Somerset, Massachusetts, with 1,125,000 kilowatts capacity, is the largest in New England. Stone & Webster also participated in the design and construction of the two other units of this station.

encountered in the design of a new generating unit for Indianapolis Power & Light Company. Many methods of controlling air quality were investigated. An economically feasible solution was found and, as a result, the city will have a considerable increase in total power generation capability with an improvement in air quality.

The Engineering Corporation continued work on a new process for removing and recovering sulphur compounds from the stack gases of electrical generating plants and converting these compounds into marketable sulphuric acid. In the field of water pollution, studies have been completed for the economic recovery of sodium hydroxide from spent caustic wastes. These liquid wastes are a matter of great concern to the petrochemical industry. Several other processes directed toward the improvement of our environment are in various stages of development. In some of these cases, as in the two cases mentioned above, the Engineering Corporation will have a proprietary interest in the developed process.

Stone & Webster Engineering Limited

The activities of Stone & Webster Engineering Limited continued at a very high level during 1969. The organization, with an expanding staff of over 500 employees in its London office and an associated office in Paris, provides comprehensive services throughout Europe and the Near and Middle East. New work awarded to the Company during 1969 included a contract for major ethylene and butadiene plants for BP Chemicals (U.K.) Limited at Baglan Bay, South Wales,

and, for Total Chimie at Gonfreville, France, a large feedstock preparation unit, an ethylene plant, a butadiene plant and a gasoline treatment plant for which some of the work will be handled by Stone & Webster Engineering S.A. in Paris. Engineering Limited also was awarded a 450,000 ton per year ethylene plant for Shell Chemicals U.K. Limited at Carrington, England. This plant will use Stone & Webster's proprietary USC cracking process and will be the world's largest single train heavy oil cracker.

Work continued during 1969 on a large ethylene plant in Spain for Calvo Sotelo, a gas recovery plant for Compagnie Francaise des Petroles (Algerie) in Algeria and a phenol plant for BP Chemicals (U.K.) Limited in Scotland. The Company also continued work on an ethylene plant expansion at Izmit in Turkey for Petkim, an edible oil processing plant for Van den Berghs & Jurgens Limited near London, and a large ethylene plant and general facilities for Gulf Oil Raffinaderij N.V. at Europoort in Rotterdam, Holland.

Stone & Webster Canada Limited

The Canadian Company continued its operations at full capacity during 1969. New assignments were added to those already under way and included the design, construction and project management of a distillery near Kelowna, British Columbia, for Hiram Walker & Sons Limited, additional furnaces to expand the production facilities of the No. 2 Olefin Unit at Varennes, Quebec for Gulf Oil Canada Limited, Shawinigan Chemicals Division, and design and construction of a 700 foot stack to replace the eight existing stacks at the Richard L. Hearn Generating Station in Toronto, for The Hydro-Electric Power Commission of Ontario. Additional construction was added to the work for The Algoma Steel Corporation, Limited, at its steel mill at Sault Ste. Marie, Ontario. Consulting and appraisal assignments were also carried out for various clients.

The Company has continued to provide substantial engineering assistance to The Hydro-Electric Power Commission of Ontario in connection with the updating of its transformer stations.



James R. Chapman
Senior Vice President
Stone & Webster Engineering Corporation



William F. Allen, Jr.
Vice President
Stone & Webster Engineering Corporation



Stone & Webster Engineering Limited completed this ethylene plant for Petrochim N.V. in Antwerp, Belgium during 1969. It is the first plant in Europe to employ Stone & Webster's new USC (Ultra Selective Conversion) cracking process for ethylene production from petroleum feedstocks.

Also during 1969, work continued on the expansion of Hiram Walker's distillery at Walkerville, Ontario, the University of Toronto's research library, the new brewhouse at the Toronto brewery of Molson's Brewery (Ontario) Limited, the 160 inch steel plate mill for Algoma Steel, and on the investigation of a nickel recovery project in New Caledonia for The Patino Mining Corporation.

Stone & Webster Management Consultants, Inc.

Stone & Webster Management Consultants, Inc. provided consulting and advisory services to 147 clients during 1969. These clients comprised electric and gas utilities, industrial companies, government agencies, private investors, banks and real estate developers. Of these, 50 received services under continuing contracts. The number of special assignments undertaken for clients increased 64% over 1968, and included assistance in acquisitions and mergers, valuations, financial and construction planning, organizational and market surveys, joint venture analyses, sales and public relations programs, personnel relations, labor negotiations, tax matters, rate case and depreciation studies, computerized accounting installations and evaluation of insurance programs and office procedures.

Computer-oriented services are centered in the Information Services Division. These functions are becoming increasingly important and the staff has been expanded to accommodate the growing volume of work in this field. Installations of computerized billing, general accounting, inventory control and stores accounting, scheduling, payroll and personnel records and budgeting, are only part of the functions being put in operation by the personnel of this division. A Stone & Webster proprietary computer program called "STAFF" provides automated financial forecasting. This program has been installed for 19 clients. Currently, research and development is progressing on a sophisticated proprietary program for an on-line third generation computer system to handle the back-office work of Stone & Webster Securities Corporation. This computer configuration will be installed during 1970 for this function, and it also will be able to perform many additional computer services for others.

Stone & Webster Overseas Consultants Inc., a subsidiary of Management Consultants, was active in Belgium, Bolivia, England, Panama and Australia. Gas conversion work was completed



Harold D. Beebe
President
Stone & Webster Management Consultants, Inc.



Frank C. L. Sperry
Senior Vice President
Stone & Webster Management
Consultants, Inc.

in Brisbane and substantially finished in Melbourne. Operations in Adelaide will extend through 1970, and a new contract has been received for conversion of Geelong, near Melbourne. Conversion work in Brussels, Belgium, will be completed in 1970. Overseas Consultants also supplied technical assistance on a gas conservation and transmission system necessary to conserve otherwise wasted gas for use in fertilizer production on the Island of Sumatra.

Stone & Webster Securities Corporation

The Securities Corporation continued to be active in underwriting, commission business and security trading. The expansion program, highlighted through the acquisition of Hayden, Miller & Co., an important Cleveland based investment banking and brokerage firm, continued in 1969 with the acquisition of Corporate Securities, Inc., a brokerage organization having sales offices in the Los Angeles area. Since 1966, the number of offices has increased from nine to thirty and the Corporation now employs about 200 registered representatives.

The volume of business in 1969 was at a higher rate than the previous year, although unsettled market conditions resulted in serious erosion of prices both in the debt and equity markets. Scarcity of investment capital funds forced interest rates to record levels but did not tend to slow down appreciably the volume of debt financing by the utility and other industries. Equity financing through sale of common stock also reached a new high level.

Stone & Webster Securities Corporation acted as manager or co-manager of offerings of corporate securities amounting to \$669,000,000 including approximately \$25,000,000 which was placed privately for corporate borrowers. Participation with other firms in the distribution of securities amounted to \$307,000,000. Activity in the municipal bond area was at a reduced level. Lease financing activities were highlighted by the completion of financing for a large research center for a major industrial corporation. The Corporation continued to provide other financial services to industry, especially in the merger and acquisition field.

Stone & Webster Securities Corporation is an associate member of the American Stock Exchange and a member of the Midwest, Pacific Coast and Philadelphia-Baltimore-Washington Stock Exchanges.

Edgar M. Hawkins, Jr.
Senior Vice President
Stone & Webster Management
Consultants, Inc.



Eugene S. Merrill
Senior Vice President
Stone & Webster Management
Consultants, Inc.

This ethylene plant was designed and engineered by Stone & Webster Engineering Corporation for Tsurusaki Yuka K. K. and is located on the Island of Kyushu, 700 miles west of Tokyo. Specification product purities were achieved nine days after the plant commenced operation last March, 1969.



Industrial Gas Supply Corporation

Industrial Gas Supply Corporation is engaged primarily in the business of producing, purchasing, gathering, transporting and distributing natural gas to industries in the Houston, Texas, Ship Channel area. The Company also derives revenue from the sale of oil, distillate and other hydrocarbon liquids produced from its own wells and recovered from its gasoline plant at Needville, Texas. During 1969, total sales amounted to 40.1 billion cubic feet compared with 39.5 billion cubic feet in 1968. Company-owned and controlled wells contributed approximately 10% of the total sales.

The Company was able to add further to its reserves under contract during the past year, but the competition for new gas reserves is such that the cost of new gas has increased. It is anticipated that recently increased prices for the Company's liquid products and new gas sales contracts now being negotiated will offset higher gas costs. The Company obtained a new thirty-year franchise from the City of Houston and a new five-year contract for the sale of gas to the City for use in the areas covered by the franchise at rates higher than those in a similar expiring contract.

San Salvador Development Company, Inc., a subsidiary of Industrial Gas Supply Corporation, continues to receive, as its principal source of income, payments derived from the sale by the Company in 1962 of its major natural gas interest. Other mineral interests are held by the Company, but these are regarded as of lesser significance.

Spruce Hills Production Company, Inc.

The Company, which holds varying percentages of interest in oil and gas properties in Canada, principally in the Province of Alberta, benefited in 1969 from the continuing high demand for Canadian oil and gas. Gross oil production for the year amounted to 271,000 barrels compared with 210,000 barrels in 1968, and gas production was about 635 million cubic feet, an increase of 39% over the previous year.



Frank B. Muhlfeld
President
Stone & Webster Securities Corporation

J. Calvin Marion
Senior Vice President
Stone & Webster Securities Corporation



Stone & Webster Canada Limited designed and constructed this Olefins Unit for Gulf Oil Canada Limited, Shawinigan Chemicals Division. Located at Varennes, Quebec, Canada, the plant is being expanded by Stone & Webster and will ultimately produce 500 million pounds of ethylene per year.



Increased production was the result of larger government allowables and the inclusion of additional Company-owned wells into producing units. The Company now has interests in several production units, gasoline plants, and water flood operations along with minor interests in exploratory acreage.

Commercial Cold Storage, Inc.

Commercial Cold Storage, Inc. is engaged in modern cold storage warehousing and offers blast-freeze and a wide variety of other refrigeration services in the metropolitan area of Atlanta, Georgia to food processors and others.

Founded in 1959 and acquired by Stone & Webster in 1963, Commercial has grown from a single plant to the South's largest refrigerated and frozen food distribution center. It now has two plants with a total capacity of 6,360,000 cubic feet of storage capable of storing 75,000,000 pounds of food products. Commercial offers a variety of storage and distribution arrangements to processors shipping in the Southeast.

The 56 acre area surrounding Commercial's larger plant is available to food processors for setting up processing plants with freezer and cooler facilities of Commercial available to the customer. Standard Brands, Incorporated, The Quaker Oats Company and Suzanna's Kitchen, Inc., a meat processor, have already established plants there.



Russell J. Olderman
*Senior Vice President
Stone & Webster
Securities Corporation*



Stone & Webster Engineering Corporation designed and managed the construction of Petersburg Unit No. 2 for Indianapolis Power & Light Company. This 450,000 kilowatt coal-fired generating unit employs features that preserve clear atmospheric conditions and normal river temperatures at an economical cost.



Stone & Webster, Incorporated and Consolidated Subsidiaries CONSOLIDATED BALANCE

ASSETS

	December 31, 1969	December 31, 1968
Current Assets:		
Cash	\$ 7,290,000	\$ 7,686,000
U. S. Government Securities and Bank Certificates of Deposit	3,740,000	8,515,000
Securities incident to investment banking business, at cost .	10,817,000	16,532,000
<i>Total based on market quotations: \$10,566,000 at December 31, 1969 and \$16,945,000 at December 31, 1968.</i>		
<i>Includes securities, carried at \$6,522,000 at December 31, 1969 and \$12,731,000 at December 31, 1968, pledged as collateral for bank loans.</i>		
Accounts, Notes and Interest Receivable	37,562,000	38,238,000
<i>Includes \$29,666,000 at December 31, 1969 and \$30,848,000 at December 31, 1968 incident to the investment banking business.</i>		
Unbilled Charges under Contracts	4,104,000	3,656,000
Materials and Supplies, at cost	214,000	238,000
Total Current Assets	63,727,000	74,865,000
Clients' Funds Held under Construction Contracts (per contra) .	795,000	798,000
Investments in Unconsolidated Subsidiaries, at cost (Note A) . .	754,000	567,000
Other Investment Securities, at cost	9,600,000	9,630,000
<i>Total based on market quotations: \$77,138,000 at December 31, 1969 and \$98,692,000 at December 31, 1968 (no allowance made for taxes on unrealized appreciation).</i>		
Long-Term Receivable, less amount included under Current Assets	3,389,000	3,944,000
<i>From sale of natural gas interest, due in varying amounts from 1971 to 1980.</i>		
Natural Gas and Oil Properties and Other Mineral Interests . . .	11,593,000	11,630,000
<i>At cost, less accumulated depreciation and depletion of \$8,789,000 at December 31, 1969 and \$8,402,000 at December 31, 1968.</i>		
Cold Storage Plant and Equipment	5,628,000	5,520,000
<i>At cost, less accumulated depreciation of \$808,000 at December 31, 1969 and \$661,000 at December 31, 1968.</i>		
Office Building and Other Property	3,927,000	3,226,000
<i>Building at less than cost, other property at cost, less accumulated depreciation of \$4,379,000 at December 31, 1969 and \$4,220,000 at December 31, 1968.</i>		
Furniture and Equipment	1,636,000	1,300,000
<i>At cost, less accumulated depreciation of \$2,491,000 at December 31, 1969 and \$2,121,000 at December 31, 1968.</i>		
Other Assets and Deferred Charges	5,191,000	2,013,000
<i>Includes, at December 31, 1969, \$2,252,000 cost in excess of equity of firms acquired; none at December 31, 1968 (Note D).</i>		
	<u>\$106,240,000</u>	<u>\$113,493,000</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1969	December 31, 1968
Current Liabilities:		
Notes Payable (bank loans)	\$ 6,138,000	\$ 11,850,000
<i>Indebtedness of investment banking subsidiary, with securities pledged as collateral.</i>		
Accounts Payable	24,821,000	27,200,000
<i>Includes \$22,872,000 at December 31, 1969 and \$25,182,000 at December 31, 1968 incident to the investment banking business.</i>		
Dividends Declared	1,869,000	1,887,000
Advance Payments by Clients	1,827,000	1,646,000
Long-Term Debt (payments due within one year)	171,000	165,000
Accrued Federal, State and Other Taxes	2,344,000	2,422,000
Other Accrued Liabilities	3,216,000	2,832,000
Total Current Liabilities	40,386,000	48,002,000
Clients' Funds Held under Construction Contracts (per contra)	795,000	798,000
Long-Term Debt of Commercial Cold Storage, Inc. (a subsidiary), less amount shown under Current Liabilities	1,458,000	1,629,000
<i>Due in varying amounts from 1971 to 1978, and bearing interest at various rates.</i>		
Deferred Profit	3,867,000	4,412,000
<i>From sale of natural gas interest, being taken into earnings on installment basis.</i>		
Deferred Federal Taxes on Income	1,452,000	1,318,000
Stockholders' Equity:		
Preferred Stock	—	—
<i>Authorized, 2,000,000 shares of no par value; none issued. (Note B).</i>		
Common Stock, carried at	7,874,000	6,778,000
<i>Authorized, 10,000,000 shares of \$1 par value; issued, 4,287,502 shares at December 31, 1969 and 4,287,402 shares at December 31, 1968, including shares held in treasury. (Notes B, C and D).</i>		
Capital in Excess of Carrying Value of Common Stock	8,927,000	8,927,000
Retained Earnings	53,467,000	50,858,000
	70,268,000	66,563,000
Less Common Stock in Treasury, at cost	11,986,000	9,229,000
<i>352,715 shares at December 31, 1969 and 314,566 shares at December 31, 1968. (Note D).</i>		
Total Stockholders' Equity	58,282,000	57,334,000
	\$106,240,000	\$113,493,000

Stone & Webster, Incorporated and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31, 1969	Year Ended December 31, 1968
Gross Earnings:		
Engineering and construction services (Note E)	\$25,258,000	\$21,232,000
Consulting and other services	4,686,000	4,719,000
Securities underwriting and trading, and other income incident to investment banking business	10,928,000	7,361,000
Natural gas and oil sales, profit and other income from mineral interests	9,929,000	9,501,000
Cold storage and related activities	1,611,000	1,438,000
Dividends and interest	5,499,000	5,566,000
<i>Includes dividends from unconsolidated subsidiaries (foreign): \$606,000 in 1969 and \$631,000 in 1968.</i>		
Profits on investment securities	218,000	660,000
Rents	1,278,000	1,240,000
Other	13,000	8,000
Total	59,420,000	51,725,000
Operating and General Expenses	39,244,000	32,152,000
<i>Includes cost of gas purchased for resale of \$5,905,000 in 1969 and \$5,535,000 in 1968.</i>		
Provision for Federal Taxes on Income	5,550,000	4,884,000
Other Taxes	2,492,000	2,450,000
Provision for Depreciation and Depletion (Note F)	1,294,000	1,219,000
Interest and Amortization of Debt Expense	708,000	464,000
Total	49,288,000	41,169,000
Net Income (per share*: \$2.55 in 1969; \$2.63 in 1968)	10,132,000	10,556,000
Retained Earnings at beginning of year	50,858,000	47,619,000
Total	60,990,000	58,175,000
Dividends Declared	7,523,000	7,317,000
<i>Per share:</i> <i>1969: 47½¢ each paid on May 1, August 1 and November 1, 1969; 47½¢ payable on February 2, 1970.</i> <i>1968: 45¢ each paid on May 1, August 1 and November 1, 1968; 47½¢ paid on February 1, 1969.</i>		
Retained Earnings at end of year	\$53,467,000	\$50,858,000

* Per share figures based on average number
of shares outstanding during each period.

NOTES TO FINANCIAL STATEMENTS

(A) The consolidated financial statements include the accounts of subsidiaries of Stone & Webster, Incorporated, other than foreign subsidiaries and certain subsidiaries organized for foreign activities. The net assets applicable to the investments in the unconsolidated subsidiaries, as shown by their balance sheets, exceeded the aggregate amount at which such investments are carried by approximately \$1,650,000 at December 31, 1969 (\$1,095,000 at December 31, 1968), based on appropriate rates of exchange where foreign currencies are involved. Such excess represents undistributed earnings of the unconsolidated subsidiaries since acquisition.

(B) At the Annual Meeting on May 8, 1969, the stockholders approved the amendment of the Corporation's Certificate of Incorporation to increase the authorized capital stock from 5,000,000 shares, \$1 par value per share (all of which was, prior to such date, designated as "Capital Stock") to 12,000,000 shares consisting of: (a) 2,000,000 shares of Preferred Stock, without par value, to be issuable in series and having such terms as shall be fixed by the Board of Directors; and (b) 10,000,000 shares of Common Stock, \$1 par value per share, with each of the previously authorized 5,000,000 shares of Capital Stock to be automatically changed into one share of Common Stock authorized by such amendment.

(C) Under the Stock Option Plan for certain officers and employees of the Corporation and its subsidiaries which was approved by the stockholders in 1958, the period for granting options expired in 1965. During 1969 an option previously granted in respect of 100 shares was exercised at \$33.25 per share. At the year-end, options covering 3,800 shares were outstanding at a price of \$33.25 per share as compared with outstanding options covering 3,900 shares at the beginning of the year at \$33.25 per share. All of the options outstanding at the year-end expire April 21, 1970.

(D) The Corporation purchased 149,600 shares of its Common Stock for a total cost of \$6,262,489 in 1969 and 86,924 shares at a cost of \$3,460,394 in 1968 which were added to its holdings of Treasury Stock. During 1969 a total of 111,451 shares of Treasury Stock was issued in connection with the acquisition of two firms in the investment banking business. The excess of the market value of the shares issued over the equity of the businesses acquired, \$2,252,000, is included in Other Assets and Deferred Charges. Common Stock has been credited with \$1,093,000, representing the excess of the market

value of the Treasury Stock issued over the related cost thereof. The Corporation has continued and may continue, from time to time, to purchase additional shares of its Common Stock, for possible acquisitions, use in employee savings plan, and for other corporate purposes, on the New York Stock Exchange, or otherwise.

(E) Gross earnings from engineering and construction services include, generally on a percentage of completion basis, fees earned on agency contracts and the excess of revenues (\$5,142,000 in 1969 and \$14,654,000 in 1968) over direct construction costs (\$3,160,000 in 1969 and \$11,308,000 in 1968) on non-agency contracts. Such revenues and costs are exclusive of expenditures made directly by clients.

(F) Depreciation generally is provided on a straight-line basis at rates adequate to depreciate the applicable assets over their estimated useful lives. Depreciation expense for 1969 was \$1,084,000 and \$1,020,000 for 1968. At December 31, 1969 depreciable assets were carried at \$15,986,000 after deducting accumulated depreciation.

(G) The Corporation and its principal subsidiaries, the accounts of which are included in the consolidated financial statements, have a retirement plan covering executive, administrative, technical and clerical employees. The Plan was amended in 1969, effective in 1970, so as to improve generally the relationship between retirement benefits and salary. Total retirement expense for 1969 was \$1,344,000, as compared with \$1,213,000 for 1968. Said amounts include amortization for the respective years of the unfunded balance of prior service cost as of January 1, 1967 over a period of 20 years. Contributions to the trust fund under the plan totaled \$1,294,000 in 1969 and \$1,213,000 in 1968. It is estimated that retirement expense in 1970 will approximate \$1,500,000.

(H) Subsidiary companies are committed for annual rentals approximating \$1,600,000 under long-term leases, the longest of which extends to 1995.

(I) Stone & Webster Engineering Corporation, a subsidiary, has been named a defendant, along with others, in legal actions claiming damages in connection with construction projects. Counsel and management believe, on the basis of their examination and consideration of these matters, that these actions will not result in payment of amounts which would have a material effect on the financial statements.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

*To the Board of Directors of
Stone & Webster, Incorporated:*

We have examined the consolidated balance sheet of Stone & Webster, Incorporated and Consolidated Subsidiaries as of December 31, 1969 and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Corporation for the year 1968.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Stone & Webster, Incorporated and Consolidated Subsidiaries at December 31, 1969 and 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 17, 1970

	1969	1968	1967
Gross Earnings:			
Engineering and construction services	\$ 25,258,000	\$ 21,232,000	\$20,378,000
Consulting and other services	4,686,000	4,719,000	4,497,000
Securities underwriting and trading, and other income incident to investment banking business	10,928,000	7,361,000	7,400,000
Natural gas and oil sales, profit and other income from mineral interests	9,929,000	9,501,000	8,938,000
Cold storage and related activities	1,611,000	1,438,000	1,279,000
Dividends and interest	5,499,000	5,566,000	4,868,000
Profits on investment securities	218,000	660,000	—
Rents	1,278,000	1,240,000	1,007,000
Other	13,000	8,000	12,000
Total	59,420,000	51,725,000	48,379,000
Operating and General Expenses	39,244,000	32,152,000	28,807,000
Provision for Federal Taxes on Income	5,550,000	4,884,000	5,594,000
Other Taxes	2,492,000	2,450,000	2,044,000
Provision for Depreciation and Depletion	1,294,000	1,219,000	1,171,000
Interest and Amortization of Debt Expense	708,000	464,000	279,000
Total	49,288,000	41,169,000	37,895,000
Income before extraordinary items	10,132,000	10,556,000	10,484,000
Extraordinary items	—	—	646,000
Net Income	\$ 10,132,000	\$ 10,556,000	\$11,130,000
Dividends paid	\$ 7,541,000	\$ 7,255,000	\$ 7,164,000
Dividends paid per share (Note 1)	\$1.90	\$1.80	\$1.75
Earnings per share (Notes 1 and 2):			
Income before extraordinary items	2.55	2.63	2.56
Extraordinary items	—	—	.16
Net Income	2.55	2.63	2.72
Summary of Balance Sheet at End of Year:			
Current Assets	\$ 63,727,000	\$ 74,865,000	\$56,848,000
Investment Securities (including Investments in Unconsolidated Subsidiaries)	10,354,000	10,197,000	10,571,000
Long-Term Receivable, less amount included under Current Assets	3,389,000	3,944,000	4,499,000
Natural Gas and Oil Properties and Other Mineral Interests	11,593,000	11,630,000	11,862,000
Cold Storage Plant and Equipment	5,628,000	5,520,000	5,181,000
Office Buildings and Other Property	3,927,000	3,226,000	3,292,000
Other assets and deferred charges	7,622,000	4,111,000	3,564,000
Total Assets	\$106,240,000	\$113,493,000	\$95,817,000
Current Liabilities	\$ 40,386,000	\$ 48,002,000	\$29,607,000
Long-Term Debt, less amount shown under Current Liabilities	1,458,000	1,629,000	1,794,000
Other liabilities, deferred taxes and sundry credits	2,247,000	2,116,000	2,075,000
Deferred Profit	3,867,000	4,412,000	4,956,000
Stockholders' Equity:			
Preferred Stock	—	—	—
Common Stock, carried at	7,874,000	6,778,000	6,607,000
Capital in Excess of Carrying Value of Common Stock	8,927,000	8,927,000	8,927,000
Retained Earnings	53,467,000	50,858,000	47,619,000
	70,268,000	66,563,000	63,153,000
Less Common Stock in Treasury, at cost	11,986,000	9,229,000	5,768,000
Total Stockholders' Equity	58,282,000	57,334,000	57,385,000
Total Liabilities and Stockholders' Equity	\$106,240,000	\$113,493,000	\$95,817,000

Notes: (1) Per share figures prior to 1967 have been restated to reflect the two-for-one stock split in December 1967.

(2) Per share figures based on average number of shares outstanding during each period.

INFORMATION

1966	1965	1964	1963	1962	1961	1960
\$18,734,000	\$17,945,000	\$14,990,000	\$12,787,000	\$ 9,492,000	\$11,703,000	\$11,531,000
4,012,000	4,444,000	4,182,000	3,778,000	3,838,000	4,091,000	4,021,000
4,201,000	3,750,000	3,421,000	4,248,000	3,428,000	4,147,000	3,681,000
9,040,000	9,116,000	8,912,000	9,062,000	9,550,000	9,278,000	8,931,000
1,012,000	842,000	751,000	427,000	—	—	—
5,058,000	4,640,000	3,905,000	3,627,000	3,559,000	4,021,000	4,021,000
—	—	240,000	—	444,000	—	71,000
928,000	994,000	995,000	990,000	920,000	886,000	847,000
45,000	43,000	12,000	18,000	13,000	13,000	25,000
43,030,000	41,774,000	37,408,000	34,937,000	31,244,000	34,139,000	33,128,000
25,762,000	23,527,000	21,759,000	20,743,000	19,699,000	19,859,000	19,548,000
4,679,000	4,931,000	4,325,000	4,255,000	2,714,000	3,757,000	3,496,000
1,545,000	1,796,000	1,795,000	1,672,000	1,586,000	1,849,000	1,758,000
1,104,000	924,000	887,000	1,034,000	910,000	883,000	930,000
227,000	343,000	214,000	137,000	36,000	47,000	9,000
33,317,000	31,521,000	28,980,000	27,841,000	24,945,000	26,395,000	25,741,000
9,713,000	10,253,000	8,428,000	7,096,000	6,299,000	7,744,000	7,387,000
—	717,000	—	—	—	—	—
\$ 9,713,000	\$10,970,000	\$ 8,428,000	\$ 7,096,000	\$ 6,299,000	\$ 7,744,000	\$ 7,387,000
\$ 7,216,000	\$ 6,730,000	\$ 6,199,000	\$ 6,178,000	\$ 6,212,000	\$ 6,229,000	\$ 6,207,000
\$1.75	\$1.62½	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
2.36	2.48	2.04	1.73	1.52	1.87	1.79
—	.17	—	—	—	—	—
2.36	2.65	2.04	1.73	1.52	1.87	1.79
\$49,002,000	\$50,281,000	\$38,489,000	\$35,154,000	\$33,667,000	\$34,510,000	\$30,935,000
10,686,000	10,500,000	9,939,000	9,818,000	9,819,000	9,764,000	10,120,000
5,054,000	5,610,000	6,165,000	6,781,000	7,398,000	—	—
11,636,000	11,677,000	10,810,000	10,472,000	11,046,000	11,626,000	11,904,000
4,705,000	4,504,000	4,564,000	4,049,000	—	—	—
3,266,000	3,223,000	4,360,000	4,302,000	4,325,000	4,085,000	3,912,000
3,516,000	2,882,000	1,930,000	1,624,000	1,641,000	1,711,000	3,491,000
\$87,865,000	\$88,677,000	\$76,257,000	\$72,200,000	\$67,896,000	\$61,696,000	\$60,362,000
\$23,557,000	\$25,985,000	\$16,662,000	\$14,158,000	\$13,382,000	\$12,470,000	\$11,064,000
2,155,000	2,312,000	2,465,000	2,517,000	—	—	—
1,993,000	1,339,000	1,321,000	1,070,000	610,000	408,000	2,356,000
5,501,000	6,045,000	6,650,000	7,255,000	7,859,000	—	—
—	—	—	—	—	—	—
6,588,000	6,481,000	6,363,000	6,111,000	5,870,000	5,746,000	5,385,000
8,927,000	8,927,000	8,927,000	8,927,000	8,927,000	8,927,000	8,927,000
42,903,000	40,391,000	36,672,000	34,965,000	34,051,000	35,507,000	33,992,000
58,418,000	55,799,000	51,962,000	50,003,000	48,848,000	50,180,000	48,304,000
3,759,000	2,803,000	2,803,000	2,803,000	2,803,000	1,362,000	1,362,000
54,659,000	52,996,000	49,159,000	47,200,000	46,045,000	48,818,000	46,942,000
\$87,865,000	\$88,677,000	\$76,257,000	\$72,200,000	\$67,896,000	\$61,696,000	\$60,362,000



Edna Brown, Head Telephone Operator, *New York*



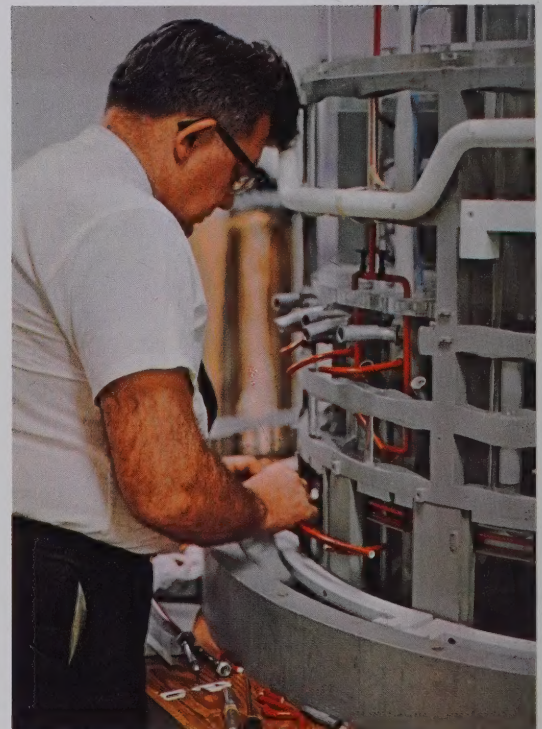
Maria Berkeschtschuk, Stenographer, *Boston*

Stone & Webster is an organization of capable people who work effectively with one another.



Securities Trading, *New York*

Carolyn Elder and Peter Genaris, Microfilm Operations, *Boston*



Edward Heyn, Model Maker, *Boston*

Richard Huleatt, Technical Information Manager, *Boston*



The Stone & Webster Organization

Listed below, with an outline of their major activities, are the principal corporate components of the Stone & Webster organization. The subsidiaries listed are 100 per cent owned.

Stone & Webster, Incorporated is principally engaged in the coordination of the activities and policies of its subsidiaries. It also owns certain interests, chiefly in the natural gas industry, and is prepared to participate in promising enterprises which may not be in a position to obtain public financing.

Stone & Webster Engineering Corporation furnishes complete design and construction services for power and industrial projects, and through its Process Industries Group to companies in the petroleum, chemical, paper and pharmaceutical fields. It also constructs from plans developed by others, makes engineering reports, business examinations and appraisals, and undertakes consulting engineering work.

Stone & Webster Engineering Limited, with offices at 20, Red Lion Street, London W.C.1, furnishes design and construction services, particularly for petroleum and chemical companies in Great Britain, Europe, the Middle East and Australia, in association with Stone & Webster Engineering (Holland) N.V. (Amsterdam), Stone & Webster Engineering S.A. (Paris), and Stone & Webster Engineering Pty. Limited (Sydney, New South Wales).

Stone & Webster Management Consultants, Inc. supplies comprehensive management consulting services for business and industry, including public utility, transportation, pipeline, land development, banking, petroleum and manufacturing companies. Government agencies, foreign and domestic, also use these services. Foreign assignments are conducted by Stone & Webster Overseas Consultants Inc. and Stone & Webster Service Pty. Limited (Melbourne).

Stone & Webster Securities Corporation furnishes comprehensive financial services to issuers of securities and to investors; underwriting and distributing, at wholesale and at retail, corporate, government and municipal bonds, as well as preferred and common stocks. It also handles orders in issues traded on all stock exchanges and in the over-the-counter market.

Stone & Webster Canada Limited, with headquarters office at 60 Adelaide Street East, Toronto 1, offers to Canadian industry the services of the entire Stone & Webster organization with particular emphasis on design and construction, reports, appraisals, surveys and general advisory services. Design and construction services in the mining and metallurgical fields are furnished to clients both within and outside of Canada.

Industrial Gas Supply Corporation is engaged in the business of producing, purchasing and transporting natural gas and distributing the same at wholesale and to large industrial users in Houston, Texas, and vicinity.

San Salvador Development Company, Inc. owns natural gas and other mineral interests, principally in Texas.

Spruce Hills Production Company, Inc. owns oil and natural gas interests in Canada, principally in the Province of Alberta.

Commercial Cold Storage, Inc. is engaged in modern cold storage warehousing and offers blast-freeze and a wide variety of other refrigeration services in the Metropolitan Atlanta area of Georgia to food-processors and others.

The Stone & Webster Building, Incorporated operates, for Stone & Webster, Incorporated, the Stone & Webster building located at 90 Broad Street, New York, N. Y. Approximately 33% of the available space is occupied by the Stone & Webster organization, and the balance is rented to others.

STONE & WEBSTER, INCORPORATED  90 Broad Street, New York, N.Y. 10004